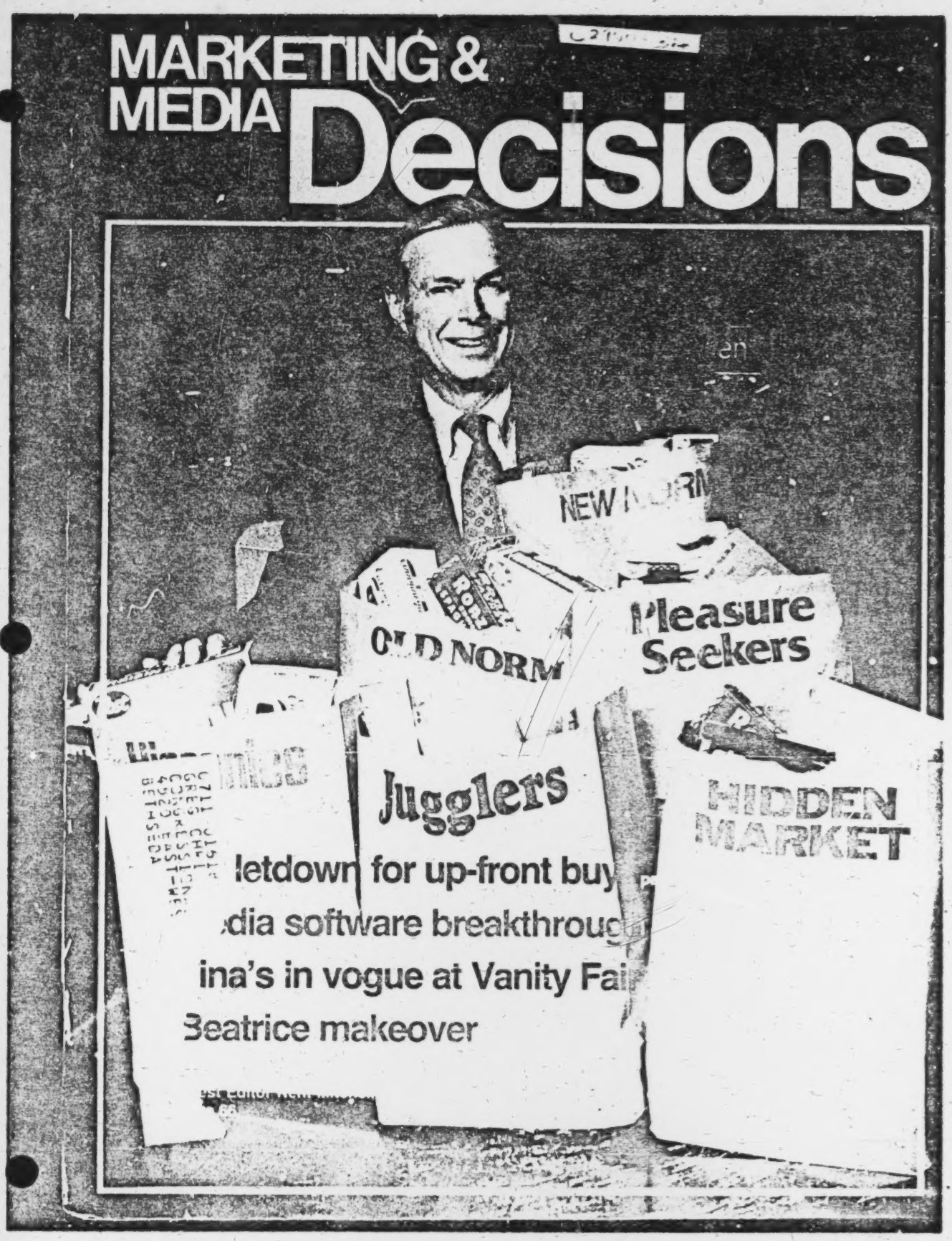
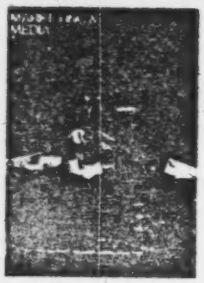
MARKETING & MEDIA Decisions





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THE NEW ELECTRONICS

Infomercials score well

The results are in for the 14 brands that participated in the first phase of the national roll-out for the Cableshop, an all-infomercial cable tv service.

All brands, including Kraft, Levi's, Merrill Lynch and Comp-U-Card, showed substantial gains in brand awareness, recent purchase and intent to buy as a result of running commercials during the test in January 1984. The seven test markets are the greater Boston area, New Jersey, the greater Chicago area, Detroit, Los Angeles, Erie, Pa. and Tucson, Ariz.

Each infomercial, which averaged two minutes in length — with some four minute versions as well — produced gains of 19% in brand awareness, increased purchasing by 37% and intent to buy by 30%. More than 1,000 cable subscribers were interviewed by telephone through the research firm, Polaris Research Associates: New York.

As may be expected, Garth Hallberg, general manager of the Cableshop, is delighted with the results. "The measurable positive impact of infomercials is all the more remarkable because it occurred in a cluttered in-market environment," says Hallberg. "It provides not only that consumers like this new kind of television advertising, but also that is has a real impact on their choice of brands."

Eye candy

From the folks who brought us the now immortal slogan, "I want my MTV," LPG PON, agency for Music Television, has come up with a new multi-million dollar ad campaign for the music video service for 1984 — "Too Much Is Never Enough."

The 30-second spot will air yearlong on both cable and broadcast — with the exception of ABC which does not accept advertising for cable services. The tv effort will be supplemented later in the year with print advertising in vehicles like *People* magazine.

The new MTV spots use a technique called "eye candy," which integrates hand-tinted live action animation. Music video's stars David Bowie, The Police, Culture Club, Hall & Oates, Def Leppard and Cyndi Lauper are featured.

Custom cable research to attract political advertisers

Cable, with its ability to narrowcast, is being touted this election year as the medium to reach highly defined audiences of consituents.

And Arbitron Ratings Co. will be offering cable tv systems a new service to help them attract political advertisers. Called Arbitron's Cable Political Profiles, the new service will pull together an analysis of the political make-up of a cable system's subscribers. Through its Marketing Research Services, Arbitron will conduct custom telephone surveys of cable system's subscriber bases. Within three weeks, results will show subscribers political affiliations, extent of political involvement and demographic characteristics — age, sex, education and income levels.

SIN to top $45 million

SIN Television Network projects 1984 revenues will exceed the $45 million mark, compared with 1983's revenue of $37 million. Already for the first quarter 1984, SIN reports advertising sales up 50% compared with a year ago, according to William Stiles, executive vice president of the network.

SIN also says that in the first quarter, six new advertisers signed contracts representing more than $15 million in billings for 1984.

Cable to hit $5.5 billion by 1994

Total annual cable tv advertising billings are projected to exceed the $5.5 billion mark by 1994, according to Paul Kagan & Associates' latest 10-year projections.

According to Kagan, national ad-supported cable will gross about $4.4 billion in ad revenue by 1994, with local cable ad sales generating another $1.3 billion.

For 1984, Kagan forecasts national cable revenue at $434 million, up 43% over 1983's estimated $303 million total. Local cable revenue for 1984 is projected at $80 million, a 59% increase over 1983's estimated $50.4 million.

Cable Billings — A 10-year projection

Year	Ad Revenue (bil.)	Year	Ad Revenue (bil.)
1983	$ .353	1989	$2.238
1984	.514	1990	2.765
1985	.725	1991	3.349
1986	.995	1992	4.045
1987	1.353	1993	4.872
1988	1.778	1994	5.714

* Paul Kagan Associates

FUTURES

The labor outlook: trouble ahead?

An improved economy might give the three million workers headed for the bargaining table this year a greater incentive to strike. The auto, airline, food and transportation industries anticipate trouble from unions, and are prone to taking a hardline stance to worker demands in an effort to curb rising labor costs. A recent poll of 150 executives, conducted by New York-based Goodrich & Sherwood, points to a showdown.

Over 66% of the executives polled said they intended to maintain "a tough posture." The Reagan administration was credited with influencing public opinion in management's favor, a trend these executives say they are eager to continue.

Although only 12% felt that the unions were entitled to participate in the recovery, 92% of those surveyed agreed that the unions were only partly responsible for the problem of increased labor costs.

The sentiment was expressed in terms of having "indulged" the unions by management's poor negotiating and agreement to demands during the recession.

The survey, conducted by telephone, covered manufacturers with union operations in industries ranging from high tech, to retailing, to chemical and rubber companies — almost all of these groups are expected to enter into labor contract negotiations later this year.

At the same time, a survey released by Peat Marwick, an accounting firm, indicated that the 42 investment advisors and economists it polled are predicting continued strength in corporate profits.

Corporate profits are expected to increase 22.5%, way ahead of a strong GNP growth rate (4.9% adjusted for inflation) and commercial real estate investment (10.9%).

Inflation is not expected to increase past 5%, despite the rapidity and strength of the recovery. Last year saw the lowest CPI increase since 1972, 3.8%.

The survey's respondents expect the economy to grow 5.1% in 1984, a figure originally thought to be on the high side but currently in the middle of revised economic projections. Unemployment, which has hung at 7.7% in recent months, is not expected to change significantly this year.

These figures, according to William A. Dreher, the partner in charge of human resources consulting, point to a stabilized recovery that will characterize 1984 as "a slow pace of economic expansion."

Brand loyalty ain't what it used to be

That is the finding of a Gallup Poll study conducted for the Private Label Manufacturers Association. The survey, conducted among 1,104 users of nationally advertised brands, found that 42% of all shoppers switch between national brands in the same product category.

Despite the economic recovery, lower priced store brands are increasing their share; 21% of respondents found that they were less loyal to their nationally advertised brands than they had been a year ago. Quality continues to be the most important factor to 80% of shoppers, while price is the second most important factor, according to 73%.

Although private label sales have increased 50% in six years, most shoppers continue to turn to another nationally advertised brand if dissatisfied with their own. The poll also found that only 21% said they were "strongly influenced" by advertising to buy a national brand. Shoppers continued to demand more quality from nationally advertised brands (91% said it was very important) than from store brands (80%), while favoring store brands over national brands slightly in terms of price (74% to 73%). Shoppers continue to select their supermarkets by four traditional factors (fast check-out; low prices; clean layout; and convenience), rather than by availability and quality of store brands, which ranked fourth.

Factors in buying national brands

	Very Important	Fairly Important	Not Important	Don't know	Total	Number of Interviews
	%	%	%	%	%	
Quality	91	7	1	1	100	(1104)
Price	73	20	6	1	100	(1104)
Coupons	50	23	26	1	100	(1104)
Always buy this brand	37	35	25	3	100	(1104)
Packaging	30	33	36	1	100	(1104)
Advertising	21	31	46	2	100	(1104)

Gallup Organization

Men's cosmetics a growth prospect

The Cleveland-based research firm, Predicasts, ties an increasing market for men's cosmetics to the baby boom generation's passage into middle age.

Products that are expected to see increased demand in an otherwise mature industry from shaving products, to skin moisturizers, astringents and hair colorings. Because the cosmetics industry as a whole has seen minimal pickup in growth following the recession, analysts, including those at Predicasts, expect competition to intensify. This will take the form of increased inducements such as gift with purchase and purchase with purchase. Allan Mottus, a New York-based cosmetics industry analyst, says that as much as 70% of men's cosmetics are currently bought through such promotions.

Predicasts' vice president of marketing services, Fern S. Pomerantz, says that consumers can be expected to trade-up to higher priced products as discretionary income continues to grow — a reversal of a trend established during the recession. Consumer spending (in billion dollars) is expected to increase from 1991.86 in 1982, to 3107.0 in 1987, according to Predicasts.

Small growth for big ticket items

With interest rates continuing to remain high, and possibly going higher, Chase Econometrics, based in Bala Cynwyd, Pa., predicts that consumer enthusiasm will abate for big ticket items.

Despite a resurgence of consumer spending in the fourth quarter 1983, that has continued through the first quarter 1984, economists predict that pent-up demand will be satiated by the end of the year. "Household purchasing power will remain strong, though income will grow less rapidly," explains Dr. Sandra Shaber, director of consumer forecasting, "and there will be a shift in the household budget."

Home-related items in particular are expected to see a decline, she says, by the summer as the housing market weakens. "The bulk of new homes are starter homes, sold to a younger market which is not necessarily better off than the rest of the population." She notes that furnishings are not a high priority with a younger buyer.

At the moment, she says, there are two contradictory phenomena at work in the marketplace: a relative strength among middle-income consumers for appliances, which she cautions will lessen; and growth of the affluent market in the long term, which will spur growth of upscale products — even appliances that feature "electronics and gadgetry." She points to the record of appliances during the recession, when expensive and low-end lines "held up pretty well," and the bottom fell out of the middle level.

Discretionary purchases, she concludes, will shift to travel ("not necessarily Europe," she says), women's clothing, and similar non-interest sensitive products.

Bigger chunk for direct marketing

That arch enemy of print advertising, direct response marketing, is taking an ever bigger bite into retail, according to the folks at the Direct Marketing Association. Mail-order sales (including telephone) are expected to account for 20% of all general merchandise sold in the U.S. by 1990.

Data developed by the association shows most catalog customers are young parents in the 25 to 34 age category. Unmarried adults in the same age group are second.

As to why direct response has grown so dramatically, a Consumer Reports survey, recently released, gives some answers. Of the sample of 100,000, 32% said they purchase goods through catalogs because the merchandise ordered was not available locally. Another 31% said the convenience of shopping via home catalogs was an important factor. Among the negatives, 60% of respondents said the major disadvantage of direct response purchase was the fact that merchandise cannot be seen in advance and may not always look like it does in catalog photos.

Meanwhile, one industry that is finding its unlikely way into direct response is the heath care business. In testimony before the Federal Trade Commission in April, Irwin Braun, president of Braun Advertising, noted that direct mail is becoming a popular form of advertising for physicians. The reason, he suggests, is convenience.

Cosmetics & Toiletries

ITEMS	1967	1982	1987	1995
Consumer spending (bil$)	490.26	1991.86	3107.0	5995.0
Cos. & toil. shpts. (mil$)	2975.9	10462.8	14500	24650
Shaving products	219.5	744.3	1054	1918
Hair care products	807.3	2478.6	3430	5725
Personal hygiene prods.	932.7	3205.6	4375	7390
Cosmetics, lotions & frag	872.9	3273.8	4635	8035
Hand care pds. & other	143.5	760.5	1006	1582
Price index (1982 = 100)	43.9	100.0	123.2	186.5

Source: Predicasts, Inc., Cleveland, Ohio

RADIO
By GARY PRANZO
Senior vp, dir. local broadcast, Young & Rubicam, New York

Radio as a reach medium

Before television, there was radio. It was "the" primary medium. When reach was a prerequisite, radio was given prominent consideration. Too often today, planners think of it only in terms of its support of other media: a complementary medium.

The notion of radio as a support medium is strengthened by its use. There is a prevailing belief among those that plan radio that an advertiser must use a mimimum number of spots on each station. That number may be anywhere from 15 to 50 per week. The logic and philosophy is that different listeners tune to radio, at various times, and the only way to achieve a reasonable reach of one station's audience is to schedule spots to be heard throughout the day. The extreme of this is a classical station explaining that listeners of Beethoven are different from listeners of Bach.

Add to this the second reason which "everyone" concedes as the great attribute of radio: frequency. The point here is that radio audiences are loyal and as a result, are subject to multiple commercial exposure. If this is indeed true, repeating a message 15 to 50 times a week could result in something more excessive than effective frequency. Certainly, both points are somewhat at odds with the notion of primarily buying the most popular stations. I'm not advocating absurdity. Use the proper stations to reach your target. Use different number of spots for different formats. Allow for the audience reach available through daypart and day of the week rotation but don't allow a misguided tradition to force an over-use. I suggest a fresh and unfamiliar view of this medium for today's planners. Radio can be a reach medium.

Let me state the obvious. Radio station audiences are very loyal and most importantly, different, station to station. This means when you add a schedule on station "B" to a schedule on station "A," you get close to the sum of their audiences as a cume. This is not usual with most multi-media schedules where a greater degree of duplication occurs. With radio, this happens each time you add stations in a market, so that, what you have by buying more stations is in effect much more reach than you could expect from the purchase of a few of the top stations. To illustrate: here's what happens to the cume level as you add stations. (See chart A)

In smaller markets the number of stations necessary to achieve desired levels will obviously be reduced.

Another example would be the reach of radio among persons 12+ using 100GRPs and a varying number of stations. (See chart B)

Make this other real advantage of radio part of your planning tenets. Yes, radio adds frequency to an advertising effort, but, by itself, it has a potent reach capability: an overlooked quality in today's cost guided marketplace. ■

B

# Stations	Reach/Frequency
3	36/2.8
7	47/2.1
15	54/1.9

Boston (MSA)

A Cume Audience Level (Persons 12+)

	35%	50%	65%	79%	85%	90%
Boston — # Stations	5	8	12	17	23	25
Portland, O. — # Stations	5	7	11	15	17	20

(Y&R Estimates. 12 spots over 1 week)

CABLE
By BARRY KAPLAN
Vp assoc. dir., media information & analysis, Ted Bates

The Ted Bates 5% "cable" solution-update

In 1981, Bates recommended (to most of our clients) that a small portion (roughly 5%) of prime time network tv budgets be diverted to "superstations," primarily WTBS. The rationale for this recommendation was based on an examination of published Nielsen audience data which documented that prime time network tv was "underdelivering" the important (and rapidly growing) pay cable segment of the tv universe *and* a "customized" Nielsen computer analysis (designed by Bates utilizing May 1980 viewership data) which indicated that diverting a small portion of the prime time network tv budget to "superstations" would correct this imbalance.

Since pay cable penetration has more than doubled (up 135%) in the almost four years since our "landmark" study and given the proliferation of advertiser-supported cable networks during this same time period, we felt it was time to provide an updated report focusing on:

- A review of pay cable growth and recent trends in viewing patterns of pay homes.
- 5% solution updated: current approach.

Pay cable penetration is at all-time high but rate of growth has slowed. Exhibit I indicates pay cable penetration has almost doubled in the four years since Nielsen began tracking

EXHIBIT I

Trend of cable penetration (% U.S. tv HH)

Date	Total Cable	Pay	Basic
November 1979	20	9	17
November 1980	31	13	18
November 1981	36	18	18
November 1982	40	23	17
November 1983	44	26	18
December 1983	44	26	18

Source: Nielsen Cable Status Report

these data, and it's apparant that virtually all the increase in total cable penetration is due to the growth in the "pay" segment of the cable universe. Obviously, the availability of current, un-cut, commercial-free movies and entertainment specials has been a key factor in the decision for many households to subscribe to a cable service. It's also quite apparent that the rate of growth for cable (and pay cable) subscriptions has slowed dramatically.

Prime time viewing of cable programing is up, yet network audiences have (temporarily?) stabilized. While the above statement appears to be somewhat contradictory, examination of the data provided in Exhibit II confirms this analysis, and there are a number of factors which have contributed to this phenomenon. Number one, while tv usage has barely changed in non-cable households (up less than 1%), viewing is up 6% in the pay cable universe. A similar pattern emerges when network performance is analyzed, with ratings up 2% and 11% respectively in non-cable and pay cable homes.

Ironically, audiences for cable have also increased over this same time frame (within the pay universe) with pay programing up 9% and the advertiser-supported channels up a whopping 37%. However, it appears that the absolute growth in cable rating points (+2.9) among pay homes was offset to a great extent by a loss for superstations and "distant" independents (2.0).

In November 1982, Nielsen revised and improved the reporting criteria in their Cable Status Report. Thus, the November 1983 report provides us with our *first* opportunity to examine a year-to-year trend on *comparable* data. In addition, November viewership data have traditionally been used to represent overall fourth quarter usage patterns.

However, before we jumped to any conclusions about new directions in viewing behavior, we felt it would be prudent to examine additional data. Fortunately, the December 1983 Cable Status Report was recently released, and we analyzed these data in the same manner as we did with November. (See Exhibit III.)

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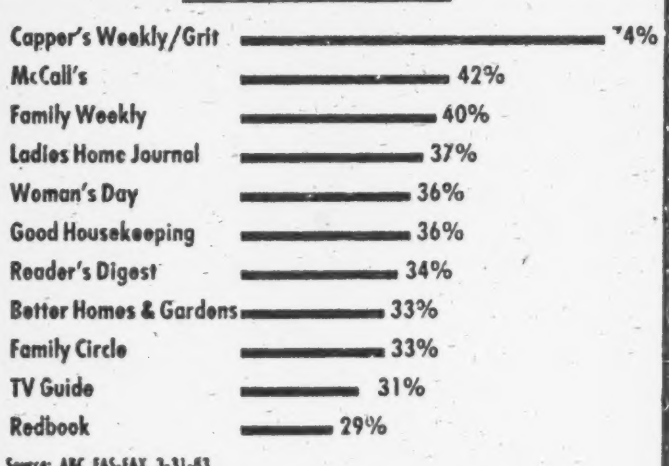

Source: ABC FAS-FAX 3-31-83

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EXHIBIT II
% AVERAGE AUDIENCE — PRIMETIME

	Non-Cable Households			Pay Cable Households		
	Nov. '82	Nov. '83	Change	Nov. '82	Nov. '83	Change
Usage (HUT)	60.1	60.5	+ 1	67.2	71.4	+ 6
Broadcast						
Network Aff.	52.7	53.8	+ 2	43.5	48.1	+11
Public	2.8	2.6	- 7	2.0	2.0	—
Local Independents	6.3	6.5	+ 3	4.6	4.6	—
Distant Independents	.6	.5	-17	3.0	2.1	-30
Cable						
Superstations				3.8	2.7	-29
Advertiser-Supported				4.9	6.7	+37
Pay Service (3)				12.5	13.6	+ 9
Total (Gross)				74.3	79.8	+ 7
Multi-Set Usage				7.1	8.4	+18

Source: Nielsen Cable Status Report

EXHIBIT III
% AVERAGE AUDIENCE — PRIMETIME

	Non-Cable Households			Pay Cable Households		
	Dec. '82	Dec. '83	Change	Dec. '82	Dec. '83	Change
Usage (HUT)	61.1	60.7	- 1	67.2	69.8	+ 4
Broadcast						
Network Aff.	53.6	53.9	+ 1	44.8	45.6	+ 2
Public	2.9	2.8	- 3	2.3	2.6	+13
Local Independents	6.3	6.3	—	3.8	4.2	+ 8
Distant Independents	.6	.5	-17	2.5	2.1	-16
Cable						
Superstations				3.1	2.9	- 6
Advertiser-Supported				5.3	7.8	+47
Pay Service (s)				12.7	13.1	+ 3
Total (Gross)				74.6	78.3	+ 5
Multi-Set Usage				7.4	8.5	+15

Source: Nielsen Cable Status Report

EXHIBIT IV
PRIMETIME
% CHANGE COMPARISON — NOVEMBER DECEMBER ('82 vs. '83)

	Non-Cable Households		Pay Cable Households	
	Nov	Dec	Nov	Dec
Usage (HUT)	+ 1	- 1	+ 6	+ 4
Broadcast				
Network Aff.	+ 2	+ 1	+11	+ 2
Public	- 7	- 3	—	+13
Local Independents	+ 3	—	—	+ 8
Distant Independents	-17	-17	-30	-16
Cable				
Superstations			-29	- 6
Advertiser-Supported			+37	+47
Pay Service (s)			+ 9	+ 3
Total (Gross)			+ 7	+ 5
Multi-Set Usage			+18	+15

Source: Nielsen Cable Status Report

Our next step was to compare the audience change we uncovered in our analysis of the November ('82 vs. '83) Cable Status Report with those of December ('82 vs. '83). See Exhibit IV.

It appears that among non-cable homes (56% of U.S. tv HH) the minor audience changes (versus a year ago) we noticed in November '83 were replicated in December '83. We should note the 17% drop in distant independent viewing is probably not of importance.

Within the *pay cable* universe (26% of U.S. tv HH) however, viewing to distant independent stations appears to be down significantly, probably due to a considerable number of cable operators cancelling carriage of these station as a result of last year's Copyright Tribunal ruling. Nevertheless, the increased fees charged for imported distant signals do *not* explain the drop in audience for the three superstations (WTBS, WOR, WGN) since their coverage of U.S. tv households has risen slightly since the ruling went into effect.

On the other hand, the growth of audience levels for the advertiser-supported cable networks (ESPN, CNN, etc.) appears to be "real." This increase is directly related to significant growth in their coverage, most of which occurred when cable operators, eager to fill unused channel capacity created by their jettisoning of distant broadcast signals, turned to cable-originated programming. Note: cable programing was *not* affected by the "Copyright" ruling.)

It does appear that either the viewing habits of these "pay" homes are more volatile (on a month-to-month basis) or data produced from the smaller sample base (vs. non-cable) are exhibiting greater statistical "bounce." Most likely it's a combination of both factors. Obviously, the large increase in network audience which occurred in Nov. 1983 was not sustained in Dec.

Of course we all know that November is a "sweeps" measurement period and as such subject to extraordinary programing maneuvers by the three broadcast networks.

This leads one to the obvious conclusion that viewers choose programs based on perceived entertainment values with little regard for the media vehicle from which they emanate (network, indies, pay, cable.)

Of course the pay services engage in a little "hyping" themselves during "sweeps" periods, scheduling blockbuster movies to compete with network mini-series. Additionally, multi-set usage is also up significantly.

The Bates 5% cable solution — the need for corrective action is as acute today as it was when first implemented — but we now have more options. As stated earlier, when we recommended to clients that they divert a small portion (5%) of prime time network funds to "superstations," it was due to network's shortfall in the important (and growing) pay cable universe. The importance of these homes was underscored by their demographic profile, which when compared to total U.S., was likely to be:

- Headed by younger adults,
- More affluent,
- Larger (more children and teens).

In other words, they were the best prospects for most package goods and upscale-oriented products. And they still are, even though penetration has grown to over a quarter (26%) of all television households. Exhibit V illustrates that, despite the phenomenal growth experienced over the past few years, the quality demographic profile of pay homes has not been diminished.

In addition, despite the apparent "leveling off" of network erosion, a close examination of Exhibits II and III reinforces the need for corrective action. During both the November and December '83 measurement periods, network performance in pay homes was 11% and 15% (respectively) lower than in the non-cable tv universe, indicating that the "underdelivery" problem still persists.

When we first recommended that "superstations" be used as our vehicle for correcting network underdelivery in pay homes, it was because they were the only advertiser-supported, cable-specific (especially WTBS) media which were "rated" by a syndicated audience measurement service. However, since that time, a number of networks (e.g. ESPN, CNN, USA, CBN, MTV) have been measured by the Nielsen national meter sample and are now sold on the basis of those ratings.

In addition, we have examined various special analysis (produced by Nielsen) which provide us up-to-date cable network (and superstation) performance within the *pay universe*, thus enabling Bates to "fine-tune" our cable buys to insure adequate delivery to pay cable homes. As a result, a combination of these networks (plus WTBS) are now used as part of the Bates "solution," and the data now reported by Nielsen for November and December 1983 suggest these modifications were "right on." ■

EXHIBIT V INDEX OF SELECTIVITY — TOTAL U.S. VERSUS PAY CABLE HOUSEHOLDS

	Adults in Total U.S. Households	Adults in Pay Cable Households
Age		
18-34	100	118
18-49	100	121
25-54	100	124
Annual HH Income		
$50,000+	100	137
$35,000+	100	141
$25,000+	100	133
Family Size		
1 or 2	100	71
3+	100	120
4+	100	126
5+	100	121
Presence of Children by Age		
0-6	100	116
0-11	100	120
12-17	100	130
0-17	100	126

Source: 1983 Fall MRI

A segmentation approach to the market

A strong research orientation is needed to bring any meaningful segmentation to the black and Hispanic market, according to Orrin Benn, president of Consumer Pull Marketing. Focus group and resident expert strategies aren't enough to deliver results, he argues.

Packaged goods marketers who are adept at growing market share and building brands through market segmentation find themselves increasingly stymied when it comes to developing the vast potential which lie in the black and Hispanic markets. The fact that the black and Hispanic markets together represent $235 billion annual purchasing power clearly provides the motivation, but why the dilemma? Why aren't marketing managers finding equal success in their efforts to reach black and Hispanic consumers?

Two facts stand out. First, segmenting ethnic markets is a relatively new marketing development. Previously, ethnic groups have been included in general population groups such as all males or females of a particular profile — but not ethnic groups. Additionally, the unfamiliarity of senior marketing management and brand managers with the unique cultural values and life styles of blacks and Hispanics has left them unsure of what action to take and unwilling to commit adequate budgets to find out what works and why. This has resulted in an abandonment of the hard nosed disciplines of the general market and the frequent adoption of a series of soft bewildering approaches which in turn has lead to further bewilderment at the mixed results obtained.

Indeed the most common approaches used by marketing managers to develop an ethnic market segment have most often been characterized by:

- Reliance on soft research data.
- An assumption that the black and Hispanic markets are as homogenious as the white market.
- The belief that general advertising campaigns can be just as effective against black and Hispanic market segments.

These approaches have not been successful because they have failed to adequately consider that a white, a black and a Hispanic consumer may make identical purchase decisions, but with completely different purchase motivations because of culture, class value, perceptions and economics.

What does work?

The primary approach to the black and Hispanic market must be reach oriented

Very little quantitative research has been done on black and Hispanic consumers. As a result, there is a marked reliance on focus group studies and the expert opinion of the resident minority in making marketing decisions. The best that can be gleaned from such an endeavor is an unsophisticated directional approach toward development of a massive dollar opportunity. And because focus group studies and local expert opinion offer little or no quantitative insights to questions on awareness, trial usage, imagery and purchase intent, marketing managers are awash in a sea of foggy perceptions and hazy focus. They are unsure of the size of the black and Hispanic markets, its importance to brand share and category development and the vast opportunity it might represent for their brand. This situation generally results in an underallocation of budgets toward the development of an ethnic segment and a reluctance to increase spending due to uncertainty in forecasting the returns.

A more productive approach would be to undertake a research scan of the product category or categories involved to determine their importance to the black and Hispanic markets. Based on these results, the marketing manager could then initiate a more detailed research analysis which would lead to the establishment of clear-cut goals, strategies and action plans. With this approach, the marketing manager would no longer have to operate on a loose hit-or-miss basis, but could implement the same tightly disciplined, informed approach used successfully in the general market toward development of these segments.

For example, unpublished data obtained from the Wellington Group, a market research firm specializing in the black and Hispanic markets, indicate significant differences in black and Hispanic consumption volume patterns vs. the general population in a number of categories.

When one considers the fact that black and Hispanic families are usually larger than white families and the median age of blacks and Hispanics are also significantly younger (31 years for whites vs. 25 for blacks and 22 for Hispanics) than those of white families, the following data would make a strong case for increased promotion and advertising spending in these ethnic market segments. However, this has not been the case. Advertising spending against ethnic consumers in these categories has been infinitesimally small.

Black and Hispanic Purchasing Differences
% Change vs. White Respondents

	Black	Hispanic
Produce	+8.1	+8.5
H&BA	+30.5	+41.5
Baby Products	+27.9	+51.3
Breakfast Foods	+12.0	+11.7
Frozen Foods	-1.9	-16.0
Pet Foods	-54.5	-42.9
Bakery	-4.0	-6.0
Fruit Drinks	+25.5	+12.1
Canned Fruit	+8.3	+5.0

Source: Wellington Group

The marketing manager who recognizes the importance of black and Hispanic consumers to his product category and who pursues a clearly defined advertising strategy to reach this market segment will not fail to gain share over his competitors. A case in point is toothpaste: SMRB indicates that Crest is the number one toothpaste in the U.S.A., yet Colgate is the number one toothpaste in black and Hispanic markets. Part of the reason for this is that Colgate is number one in Third World markets. Prior awareness gives it a competitive edge with immigrants. This prior awareness, however, has been reinforced by Colgate advertising specifically targeted to reach new arrivals in this country while at the same time appealing to blacks and Hispanics who always lived here.

Black and Hispanic markets are not as homogenious as the white market

Another crucial consideration which marketing managers fail to note when developing strategies for black and Hispanic markets is the fact that there tends to be significantly less homogeneity within black and Hispanic markets than there is in the general market, and a rifle-shot approach is necessary for success. According to a 1981 Bureau of Census report, 30.8% of black families live below the poverty line vs. 8.8% for whites. Median income for black families in 1981 at $13,266 was 56% of the white median which was $23,517. Thirty-nine percent of whites, age 25 and over, attended college compared with 22% blacks and 20% for Hispanics. These numbers signify a market apart from the general market. A market which is more stratified than homogenized.

On top of this, add cultural, intracultural and lifestyle differences and a truer picture emerges. A Cuban is as different from a Mexican as a Puerto Rican is from a Columbian. Recognizing these differences, which go beyond speech patterns, is as important as understanding the similarities which unite them. In the case of blacks, class value perceptions and imagery frequently transcends economic abilities in determining buyer behavior. Consequently, despite lower disposable incomes, blacks are heavy consumers of branded consumer products and high ticket luxury items.

How does one explain the heavy purchase of expensive domestic cars by blacks? How does one explain the heavy consumption of expensive cognacs by blacks? The heavy consumption of Scotch by Cubans? Recognizing inter- and intracultural differences of blacks and Hispanics and how they vary from the general population is what is important for success. This is not to suggest that marketers must carve out individual strategies for each sub group, rather it is to suggest that strict reliance on demographics is not an adequate measure when it is applied to the ethnic market.

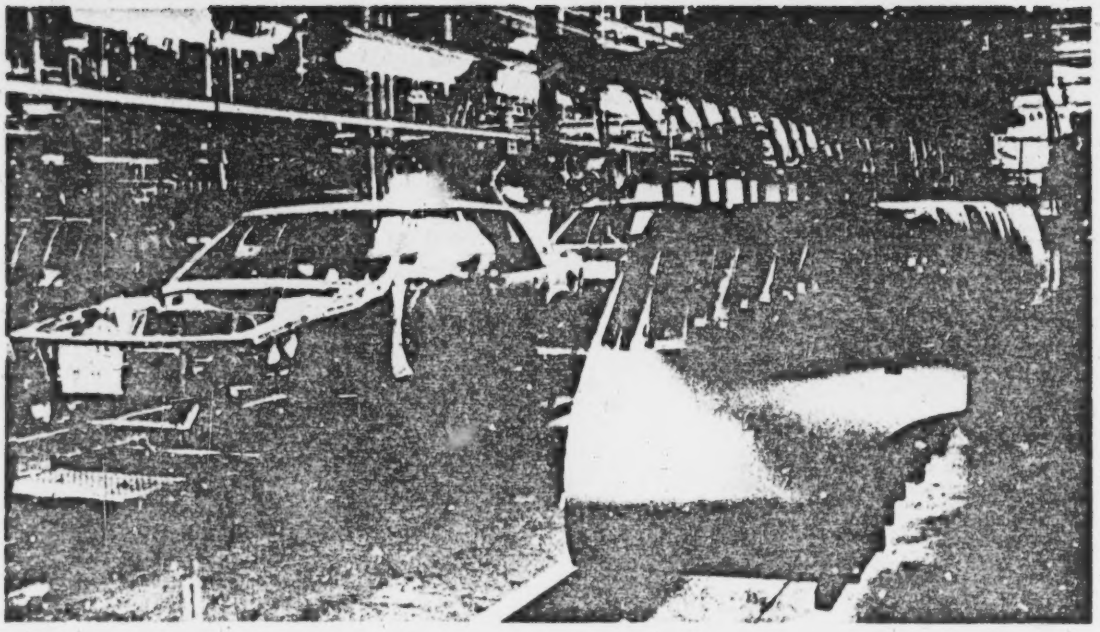
A finely tuned psychographic profile is essential. Marketing managers must develop a keen understanding of the interactions of cultural and socio-economic factors which ultimately lead to a pattern of buyer behavior by blacks and Hispanics. A pattern which is quite often different from whites who are in similar socio-economic level.

A belief that general advertising campaigns can be just as effective against ethnic market segments

Because consumer goods companies have for years enjoyed significant black and Hispanic franchises without a strategy or commitment to develop those franchises, it has always been assumed that general advertising campaigns were equally effective against both white and ethnic markets. Recently, however, there has been a new development. Some marketing managers have discovered that it is easier to gain share by segmenting black and Hispanic audiences in advertising as opposed to increasing their general advertising coverage which might already be saturated to the point of producing marginal share returns. While it might not be appropriate to segment every general advertising campaign by ethnic audience, marketing managers should be more aware of the competitive advantages inherent in that approach.

In today's environment blacks and Hispanics are much more aware of their political and economic strength as a group. They have been conditioned to expect parity in all aspects of life, and as a consequence, those brands whose message is targeted directly to the black and Hispanic consumer will stand out and gain a greater measure of acceptance in the ethnic market than other brands in the same category which do not pursue ethnic advertising campaigns. The same is true for sales promotion campaigns specifically targeted at black and Hispanic audiences.

There is an underlying feeling of brand loyalty among ethnic consumers; they reward those brands which specifically identify them in their marketing approach with their purchase. And in today's competitive market environment, a brand's success will be directly related to its ability to maintain its current consumers while attracting new users. I am suggesting that far too many marketers are missing out on the tremendous opportunity which the black and Hispanic markets present for competitive share gain. The smart marketing leaders who see and seize this opportunity now will carve out a profitable market share niche which will be expensive for competitors to dislodge in the future.



BRAND REPORT 97

Automotive

Domestic manufacturers are looking forward to a banner year, as import restraints put a damper on import sales. But problems loom on the horizon, as interest rates remain stubbornly high and labor itches for a bigger piece of the recovery pie.

New car sales are projected to vroom to 10.5 million units this year, up from the thirty-year low of 7.7 million units just two years ago. Growth is being fueled from several areas: new entries into the market as well as repurchasers. Once again, consumers have confounded Detroit: tastes, thanks to the recovery, have turned to larger cars. Meanwhile, the automakers have been focusing on developing small car lines and downscaling larger models. Strong demand for large and sporty cars, combined with the challenge of moving the less popular small, fuel-efficient models, will boost advertising expenditures in 1984 — though not at the 25% average increase rate seen for 1983.

Network television was the big winner in 1983, with increased expenditures in the medium not entirely accounted for by increases in unit cost. A flurry of new product activity is likely to maintain high levels in the medium this year. Magazines also fared well since most manufacturers have concluded that segmenting against new prospects represents the most likely route for growth.

Several problems, however, loom over the car industry. The strength of the economic recovery has led economists to revise interest rate forecasts. If interest rates rise significantly, as some are predicting will happen in the third and fourth quarter, car sales may turn sluggish. This could be especially true on the low-end models, as buyers of these autos tend to be more susceptible to economic fluctuations.

Prices have also remained artificially high, since demand is currently running ahead of supply. This is affecting Japanese car dealers as well as American manufacturers: while demand is so strong that domestic manufacturers are no longer losing sales to the Japanese, the Asians are taking advantage of the production limits set under import restraints to jack up prices. Under this "controlled market situation," says J. David Power, of J.D. Power & Associates, a consulting firm, domestic manufacturers have been able to recover "a handsome profit" over the past eight months that will affect the 1984 bottom line as well.

However, new car prices, now averaging about $11,000, will keep low and middle income buyers out of the

market — and those buyers are needed to sustain high volume. Passenger car sales are not expected to surpass the historic 1978 peak of 11.1 million units until 1987. Unless manufacturers can sustain the current momentum, 1984 profits may be more a reflection of prices than sales. Even the proposed introduction of 'mini' cars, slated for spring 1985, may not be enough to interest low-end new car buyers. These models, smaller than any currently available in the U.S., will be priced between $4,500 and $5,000, only slightly less than some subcompacts.

Consumer demand for larger models poses another problem for domestic manufacturers. John H. Hammond Jr., director of automotive services for Data Resources Inc., says that Detroit will have missed fuel economy standards by "huge amounts" in 1983 and 1984. While accumulated credits forestalled penalty payments in 1983, he estimates that GM's 1984 penalty may be as high as $300 million, and pegs Ford's at $100 million. Chrysler's problem, he notes, is the opposite: "It doesn't have a strong large car line-up, so it has less flexibility" to follow consumer trends.

The auto recovery could also be stopped short by the labor situation: labor wants a bigger piece of the recovery pie, and manufacturers are striving for a better competitive stance, which indicates that there is a "very good chance of a strike" in the fourth quarter, according to Hammond. "Both sides have a big incentive to hard line it." While the net impact on sales over the 12-month period would be minimal, consumers usually switch their buying preferences away from the on-strike company.

So far, the proposed joint venture between GM and Toyota has met with little resistence. After decrying the move as anti-competitive, the other domestic manufacturers are scrambling to hatch similar cost-efficient setups. Power says such deals would pose a marketing challenge to all manufacturers. "Over the next two to three years, we'll see a blurring of the import car's image. Consumers will be confused about what an import is, as we're already seeing with the Renaults and Hondas built here. Much of Toyota's high reputation is linked with the awareness that it is an import from Japan." In the future he says, "vehicles will have to stand on their own merits. We can expect to see a shift from corporate image advertising, to more specific product advertising."

The final picture is of a deceptively healthy year for the auto industry. Uncertainty dogs manufacturers, who hope that partnerships with importers will at last grant them the flexibility to follow fickle consumer tastes more closely.

GM

General Motors started 1984 with a bang. New car sales for the first two months of the year, traditionally the slow period in the industry, rose 39% to 718,000 units, indicating that GM will probably top its 1983 volume total of 4.1 million cars. The company has

The Plymouth Horizon, one of the cars Chrysler may replace by agreement with Mistubishi, gets performance-oriented advertising in an effort to get a younger audience.

Advertising for Ford's new aerodynamically designed cars stresses technology, as in this ad for Ford division's Tempo.

also gained share, to 45% of all passenger car sales, up from 44% in 1983.

It's been a heady year for GM, which some analysts believed was three years behind Ford in "turning things around." But turn them around it has, first with a reorganization scheme announced in January, and more recently, with a proposed partnership with Toyota that will cut costs on low-profit small cars.

Since the reorganization of the company — from the current five divisions into two, one concentrating on small cars, the other on larger models — is still being worked out, marketing plans for 1984 and for the 1985 model year are being designed by the individual divisions.

Chevrolet

This is the division at the heart of the proposed joint venture. GM discovered that it could replace its rear-wheel drive Chevette with a Japanese-built model for $2,000 less per car. Last year, the ad budget for the all-important division jumped about 20%, to $131,206,900.

The bulk of the spending, $93,362,100, went into network, a level that advertising manager Rus Chick says will continue for this year. Most of the buys have been on sports shows, since the target buyer is male.

Chick says that he does not anticipate the target changing, although he concedes that Chevrolet has "slightly increased its efforts toward women."

The magazine schedule, which includes some women's books, leans towards mass circulation magazines, parallel to the network buys.

Chick explains the division's reluctance to segment the market by noting that Chevrolet indicates changes in emphasis with its new products rather than with its marketing efforts. "Being a mass marketer of automobiles, we're not as likely to be searching for a particular niche."

Advertising for the Toyota-designed cars has not been decided yet, since "we are a year away from that car," according to Chick. He adds that "to the extent that it would be favorable, we would use the Japanese provenance in the copy. But chances are that it

MEDIA EXPENDITURES, 1983 (six-media, in 000)

Company	Total	Magazines	Supps	Net tv	Spot tv	Net radio	Outdoor
AMC	$73,973.8	$15,644.5	$47.0	$50,972.3	$6,221.7	—	$1,088.3
AMC	9,617.8	2,087.8	—	6,336.7	1,193.4	—	—
Jeep	21,832.9	5,935.8	47.0	15,117.7	613.4	—	119.0
Renault	42,523.0	7,620.9	—	29,517.9	4,414.9	—	969.3
Chrysler	151,559.0	44,845.2	356.8	84,193.7	18,626.0	$2,858.0	679.3
Chrysler	58,737.1	12,688.9	—	35,672.3	5,038.0	679.5	526.4
Plymouth	23,601.4	6,323.0	220.1	12,913.9	4,143.3	—	1.1
Dodge	58,353.0	17,738.6	136.7	32,054.0	6,293.6	2,178.5	84.5
Ford	306,611.3	80,346.3	1,108.0	172,308.1	37,857.4	7,185.6	1,805.9
Ford	176,486.8	48,953.1	455.8	105,799.3	15,098.2	4,339.0	1,487.4
L-M	69,205.3	14,556.6	652.2	35,684.3	18,008.2	—	304.0
GM	330,447.1	89,020.0	804.3	201,350.4	25,678.4	9,410.7	4,183.3
Buick	32,187.9	10,654.5	153.0	17,797.1	1,618.5	1,723.1	241.7
Cadillac	15,971.2	6,093.9	123.0	7,583.0	431.8	2,145.4	25.5
Chevrolet	131,206.9	30,922.9	393.7	93,362.1	3,093.4	188.0	3,293.3
Olds	28,406.1	8,370.9	—	12,083.5	6,864.2	184.3	303.2
Pontiac	42,325.5	11,648.6	—	19,695.6	10,876.7	—	104.6
IMPORTS							
Honda	38,582.6	12,871.0	282.2	19,649.4	2,158.7	1,911.3	506.0
Nissan	85,586.9	13,205.9	96.4	33,602.9	37,692.1	—	989.6
Datsun	22,212.7	2,629.3	—	5,875.6	13,353.3	—	354.5
Nissan	63,374.2	10,576.6	96.4	27,727.3	24,338.8	—	635.1
Toyota	80,104.8	12,416.4	25.9	22,852.5	42,505.9	20.0	2,284.1
VW	47,539.5	13,914.1	—	20,528.4	10,774.1	—	—

Source: Leading National Advertisers Broadcast Expenditure Reports
Division totals reflect only product advertising; corporate totals reflect all advertising expenditures tracked in six media

won't be a major point." He concludes that there is already such a high level of awareness about the joint venture, that "the public won't need to be told."

Pontiac

The division is continuing to move along lines established three years ago, to become recognized as the division with "innovative styling and engineering," according to Ed Benson, assistant general sales manager in the marketing department.

The target, once described as one- to two-person upscale households, and now given the trendier designation of "the 25-44 new values group," is reached with heavy television. About $30 million of a $42,325,500 budget went into broadcast in 1983, two-thirds of that in net. Product development is moving in the same demographic direction since the target is predicted by Pontiac to represent 55% of car purchases in the future.

Benson explains magazine selection by noting that Pontiac is redirecting where its ads appear, in a two-pronged effort to broaden its base and move toward more effective target marketing. This has meant the addition of vertical reach publications with different audiences, like *Psychology Today* and *Auto Week*. Copy continues to stress styling and technology, even though Benson notes that more women are buying the product than in the past.

Buick

The division is undergoing a radical change with the introduction of the Electra Park Avenue, a down-sized version of an existing model that executives hope will appeal to a younger set. Concern over decreasing penetration has led to the development of models like the Turbo Skyhawk, which John Dables, general manager of marketing and sales planning, says is "part of getting a younger audience."

The younger group, says Dables, are used car owners and import or domestic subcompact buyers ready to trade up. These people frequently cite imports as their ideal car.

The new car introduction will be accompanied by a "very focused" heavy television campaign that included spots on the *Academy Awards*. While tv got slightly more than half of last year's $32,187,900 budget, Buick is trying to get away from its former dependence on broadcast media. Knox Ramsey, director of market research for the division, points to the unusual April launch, as the reason for heavy tv.

Some of the newer car lines have been successful in attracting the affluent younger buyer. The average age of the Skyhawk buyer, for example, is 35-36, compared with an Electra buyer who averages 55 years-old. Figuring that an audience of 35-year-olds has five or six new car purchases in it, versus the one or two new cars a 55-year-old will buy, Dables says that the range of magazines Buick buys has broadened to encompass *Town & Country*, *Connoisseur*, *Yachting* and *Rolling Stone*. "Experimental" broadcast buys are planned for 1985 — "We've been looking at MTV, but I don't think we're ready for *that* yet."

With the "Step up to a Buick" theme set to go, Dables says it marks the beginning of a five-year strategy that Buick is committed to "as part of

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Cadillac

A similar effort to broaden the base of buyers is going on at the Cadillac division, with the introduction of several new down-sized front-wheel drive models, the Seville and the Fleetwood. These are the models whose intended September 1983 introduction was delayed by production problems.

Tv continues to get 50% of the budget. Upscale sports such as Wimbledon tennis and the Masters tournament are on the program schedule. Magazine usage continues to expand, receiving $6,093,900 of a $15,971,200 budget in 1983.

"We will continue to use specific print for each target," says Dick Welday, director of merchandising. Cimarron, for example, has a "buff book appeal," while other models use more upscale books like *Palm Springs Life*.

Welday says that he does not expect the interest in larger cars to diminish at the end of the year. The new models are expected to continue attracting a younger audience — in the 35 age range — who are high-tech oriented. Although Welday pegs BMW and Mercedes as the competition, he says that advertising will not address the competition directly. Advertising for the down-sized models will stress technology, in media weights consistent with 1983.

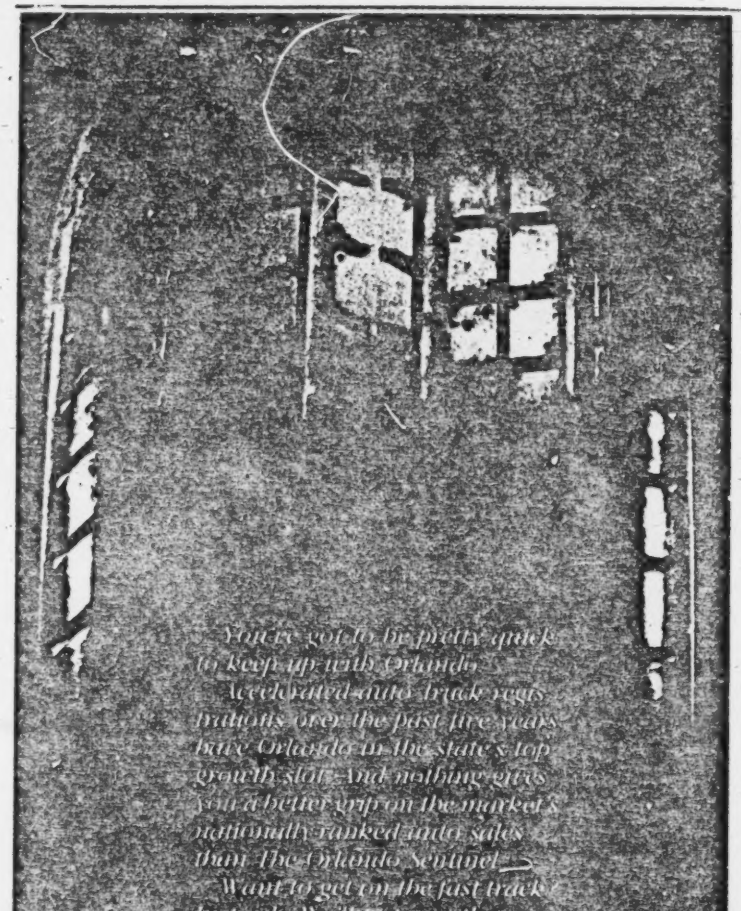
Oldsmobile

This division of GM manufactures the number one selling car in the U.S. as of 1983 — the Cutlass. So far, the division, which put $12 million of a $28 million 1983 budget into net, hasn't drawn attention to the Cutlass. "We don't want to be saying 'We're Number One' as a division," explains Butch Bunker, ad manager for Oldsmobile. He adds that he has thought of incorporating Cutlass' position in print ads, to show benefit and emphasize that the buyer has made a "wise buying decision."

As with the other divisions, Oldsmobile is looking to broaden its appeal, especially with the down-sized 98. Marketing will take "a two-pronged approach," says Bunker, since the model has been accepted by traditional Oldsmobile buyers and will also be targeted at "luxury import buyers." Advertising to the traditional segment will stress luxury and prestige, while ads for the import buyers, a younger segment, will focus on "performance characteristics and technological aspects" of the car.

"Certainly a younger audience is important to us, but it is just one of the many segments Oldsmobile is trying to reach," Bunker says, noting that the division has continued to target a younger demographic for certain car lines, and not for others.

Media selection will continue to rely on broadcast, which received 60% of the budget last year. Bunker says that Oldsmobile is "looking into alternatives," such as cable, which has been used tentatively in the past. Creative may turn more toward stressing benefits, as in the Cutlass advertising, and away from the "fun-to-drive" selling points that have been used for lines like the Firenza, targeted at a mid-thirties demographic. "I'm working in that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way myself," says Bunker who adds that he is loathe to speak for any other division.

Ford Motor Company

The new aerodynamic designs Ford began introducing last year have been well received: market share jumped 2% in the first two months of the year, to 19%. New cars sales for the first two months of the year hit 304,000 units, a hefty 56% increase over last year's total 1.6 million units.

Advertising money has been poured into network tv and magazines following the introduction of the "jellybean" shaped Thunderbird, Couger, and the somewhat less stylized Tempo and Topaz. J. David Power notes that the move was as much a departure from the boxy all-American styling of the 70's, as a strategic repositioning of the entire company away from GM.

Ford

While Ford's corporate advertising stays with the "Quality is Job #1" theme adopted three years ago, product advertising has been updated to keep pace with the new cars. Advertising expenditures rose some 38% in 1983, and some support was shifted away from successful small car lines like Escort to give additional weight to the aerodynamic models.

Edsel Ford, advertising manager for the Ford division, says expenditures are unlikely to rise as much this year. Media mix will also remain essentially the same, as Ford sets 70% aside for broadcast in an attempt to court the "young upscale mobile professionals." These are the same 35-year-olds every car maker seems to be courting this year. This is an effective mix, says Ford, because of the broad-based nature of the new car designs.

Ford has been using cable in a similar way as it has magazines, to target a specific audience. To reach a Hispanic segment on SIN, the Spanish International Network, the company created a specific spot tagged "from one family to another," playing on the heavy family loyalty of the segment. The medium has been getting about 10% of the tv budget, or about $12 million. Ford adds that the company will look at mini-series for the 1985 model year, "as a generic media buy."

Magazines continue to span the range, from specialty books to newsweeklies. "We're looking at upscale books, which wasn't a normal consideration in the past," observes Ford. "But we have to look at them now, especially with Thunderbird," the most technically-oriented of the new cars.

Ford feels that some of the corporate advertising will be pulled together with product advertising: "We've got to get better at telling the consumer about product attributes."

Lincoln-Mercury

Advertising weight will continue to be heaviest behind the Cougar, Topaz and luxury Mark VII, the new aerodynamic cars. The target for this year is the "10% of the population that will be new car buyers," according to Pat Sheean, media group supervisor for the account at Young & Rubicam. She feels that the weight is appropriate, since the three car lines span the range from low to high end, among the division's nine car lines.

Advertising continues to be split 75% between broadcast and other media, with net getting $35,684,300 or a $69,205,300 1983 budget, and spot, $18,008,200. Rick Baker, in the division's advertising department, stresses that this amount is "somewhat less than other car divisions."

Program selection is targeted at the affluent prospect for all cars in the division, although "slightly less affluent for Mercury, than Lincoln," Sheean says. She adds that the division seeks "highly selective programing": new information, business and financial, golf and network tv specials.

Print varies by car line. The Cougar, which has a 40% rate of ownership by women, compared with the 30% industry norm, has a heavier presence in women's books than the Topaz, a family car more likely to depend on dual audience books. "The Continental Mark VII, which was designed with men and women in mind, and designed for a younger demographic than last year's Mark VI, could show up in a car enthusiast magazine, while the Topaz would not," Sheean says.

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Chrysler

Chrysler entered 1984 maintaining its 9% share of the market. Car sales indicate that it, too, will share in the consumer recovery. First two-month figures totalled 150,000 units, up 44% from the previous years. The company sold 800,000 units in 1983.

Chrysler may be expected to follow GM's overseas link-up lead fairly soon. Its Omni and Horizon models need replacing, and the betting is that the new styles will come from Mitsubishi Motors — which is 15% owned by Chrysler.

While Chrysler has made good headway in revving up its finances, the company has lost out on customer satisfaction, according to J. David Power. Chrysler had led the domestic manufacturers in that category, but has not recently paid as much attention to the quality issues important to consumers, as say, competitor Ford has.

Chrysler-Plymouth

The two divisions, with a little more than half of Chrysler's total $151,559,000 1983 budget, "have not been as successful in skewing younger as we would like them to be," admits A.C. Liebler, general marketing manager for the divisions.

The Laser, a sporty, performance-oriented car, has been a change for Chrysler. Coupled with the introduction of the Turismo Duster, Liebler hopes that more young affluents, and more women, will be attracted to Chrysler.

With the pink returning to Chrysler's cheeks, total ad spending was boosted by 24% last year. One area that saw a decrease was the weight given to corporate image ads. The big benefitters, television and magazines, found themselves in demand as Chrysler continued its efforts to lower the average age of ownership. The profile of its buyers shows a median age of 49; Chrysler's car goal is to lower that to at least 45 this year.

Liebler says that while the targets vary by car line, the target for the next year will be "new middle buyers." Much of the sales come from traditional Chrysler buyers. He would like to see more driving enthusiasts buy Chrysler Plymouth division cars, "and it wouldn't hurt our feelings to drag some people away from the imports."

Dodge

The most important aspect of Dodge division's marketing strategy for this year, according to Joseph N. Caddell, marketing manager of the division, is to expand awareness. Budget increases of +20% are likely to continue, as total expenditures rose to $58,353,000 in 1983 from $46 million.

Dodge is trying to establish brand loyalty among the 20-30 year olds, before driving needs change in the mid-40's. Caddell divides the car lines into two characteristics, "expressive," or younger, and "traditional." Dodge is secure enough of its traditional base to target the "expressive" Baby Boom generation more closely.

Still, close to 70% has been going toward broadcast. Caddell explains: "We need the awareness for Dodge. People's perceptions of our cars are generally incorrect." Dodge, he says, is neither lacking in styling, nor a good ole' boy car, nor an economy car — "We're not any one of these images."

Because of the awareness problem, print will play a distant second to tv, with $17,738,600 of the 1983 budget — a one-third ratio that will continue. The key to the division's growth, Caddell feels, is to appeal to the different lifestyles that would buy a Diplomat, a traditional sedan, or a Daytona, a sporty car. He says Dodge will "bring in new people" with its "simplistic marketing 101 media schedule" that targets in terms of product attributes — front-wheel drive and sportiness versus fuel economy and comfort for a more traditional audience.

AMC

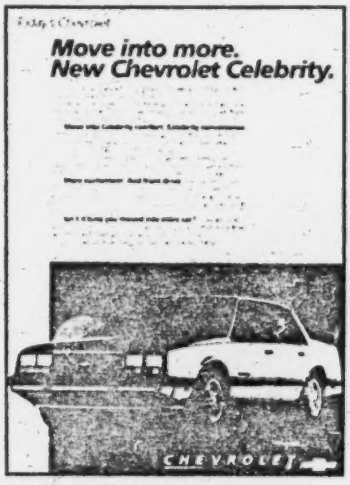
The company continues to focus its marketing prowess on its two more successful lines: Renault and Jeep. Share was stable at 2%, from last year to first quarter of 1984. The success of the Alliance did not carry over, however. Sales of 33,000 in the first two months are up 13% over last year but do not indicate a significant gain over last year's total 200,000 units.

Jeeps continue to bring in the profits, although they get only half the advertising attention paid to Renault: $21 million versus $42 million. Some an-

Projected passenger car sales

1984	10.5 million
1985	10.5 million
1986	10.9 million
1987	11.2 million

Source: Chase Econometrics



Chevrolet continues to advertise its small cars with aggressive copy — in anticipation of the joint venture with Toyota.

Market shares Domestics and imports

	Total 1983	1st Q 1984
GM	44%	45%
Ford	17	19
Chrysler	9	9
AMC	2	2
Other	2	2
Japanese	21	18*
European	5	5

Source: J. D. Power & Assoc.
*under restraints

alysts feel that unless Jeep is promoted more, and sold more, AMC's 1983 fourth quarter profits will be nothing more than a fluke.

Jeep will continue using the same media and theme it had last year. "Only in a Jeep" stresses the utility/recreational nature of the car. Copy will be more competitive this year, however, when the car takes on Chevy Blazer and Ford Bronco.

Renault, despite Alliance's performance last year, continues to pose a problem of awareness. Advertising director David Kerr feels that the Renault name "still has a long way to go." This way will be paved by continued dependence on network tv, supported by some targeted print use.

The big news with AMC is a five-year plan to develop a large-car line. Goals for the company in the short-term are to expand AMC's share of the small car segment, says Kerr. But he notes concern that consumer tastes have shifted toward large cars this year, a cyclical phenomenon.

"We want to move into the large car segment without pulling back from small cars," Kerr says, citing the successful penetration of the segment among women and two-car households. Total investment is estimated at $1.7 billion, and will affect both Jeep and Renault.

Imports

Import sales are down at the beginning of 1984, a direct result of the continuing ceiling on import quotas. Market share, which for Japanese cars alone had once been as high as 24%, slumped, in 1983, to 21%. Indeed, Japanese and European cars combined made up only 26% of new cars sales last year. By the beginning of the year, Japanese cars felt the full weight of restraints: their share sagged to 18%, while 1984 European imports' share remained stable.

Undoubtedly, the restraints will hamper sales again for the fall this year. With proposed partnerships in the works, however, the protectionist mood is disappearing. Meanwhile, ad expenditures have been rising between 25% and 50% as importers seek to take advantage of pent-up demand.

Nissan

Nissan is still in the process of changing its name from Datsun, a transition reflected in 1983 advertising expenditures. Out of a total $85 million spent, one-fourth still went to supporting the Datsun name. Bob Kent, vp, marketing and services, says that the company hopes to have the transition completed by December 1985.

Media mix has remained consistent, with above 70% invested in spot and net. Programing is primarily sports, for a young upscale audience (18-34) that tends to skew male. Because of the heavy dependence on net ($27 million for Nissan, and another $6 million for Datsun), Kent says that he is considering alternatives to offset audience decreases on sports programing. Cable might be an area for further investment: "We feel that it has exciting growth potential," he says, singling out ESPN and CNN.

Nissan "isn't interested in segmenting against any audience, except in trucks, where we're looking for an outdoor audience." Magazine use is broad, as a result.

To the extent that Nissan applies media weights, it does it with spot television: "We do better using a spot market than using network properties, given our marketing strategies." Weights in 1984 may shift more into spot, and away from net.

Toyota

Once the joint venture with GM is underway, Toyota will find itself competing with its own products — to be sold out of Chevrolet dealerships. This doesn't faze Warren Christell, marketing manager for the company. He explains that the company's strategy has been to maintain a full line of small cars, from entry level on up, "so that there's a higher chance of retaining customers as they upgrade."

Last year the ad budget was modestly upgraded from 1982, slightly over 10% to $80,104,800. Because the target ranges distinctly, but narrowly, between a younger audience and middle-aged audience, depending on the model, Toyota has invested about half that into spot tv.

"Several of our bigger volume products are more suited to mass media — Tercel, Supra, Corolla, Celica," says Christell. Cressida has an upscale magazine schedule.

Christell says that Toyota's position over the next year is "frustrating." He dismisses the notion that the company has taken advantage of restraints to maintain prices that deter new car buyers: "The consumer's choice has been drastically limited," he asserts.

If Nissan is able to import minis next year, cars smaller than current subcompacts that are expected to take 6-9% of the market, Toyota may suffer even more, since these smaller cars would be priced in the Tercel range. Christell says the company has no marketing plans yet that might differentiate its product from the minis.

Volkswagen

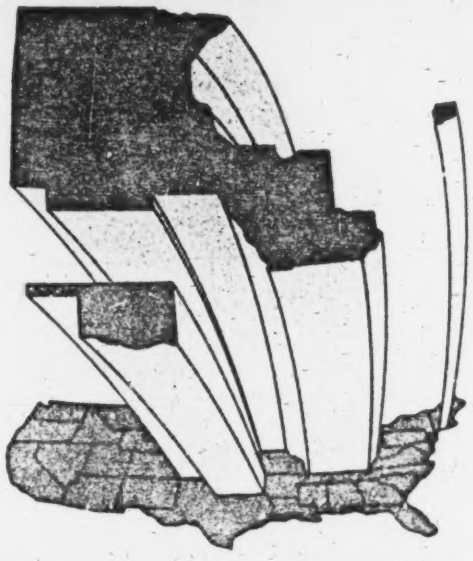
Volkswagen did not have a good year in 1983, with market share in the U.S. dropping from 3.4% in 1981 to 2.3% as the year began, and the German parent reporting losses close to

Sales, domestic (74% of market)

	Total 1983	Jan., Feb 1983	Jan., Feb 1984
GM	4,100,000	516,000	718,000
Ford	1,600,000	194,000	304,000
Chrysler	800,000	104,000	150,000
AMC	200,000	29,000	33,000
VW	85,000	11,000	14,000
Honda	50,000	2,000	19,000

Source: John H. Hammond Jr., Data Resources Inc.

DID YOU KNOW THAT



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$100 million. As can be imagined, belt tightening is underway. Already, the ad budget has been slashed 30%.

Hopes for the U.S. market are pinned on the Golf II, a Rabbit-like model to be introduced in the fourth quarter. The strategy is a return to European design and quality, a departure from the made-in-America theme used to introduce the Rabbit. Because of ad cutbacks, "a substantial part of the budget" is being reserved for tv in the fourth quarter, says Michael Howe, advertising manager.

The Golf II, with a young, educated target, will compete with other American built imports like the Honda Accord, but will target other German manufacturers like BMW in the advertising. Last year, 66% of the budget went into broadcast, a proportion that is likely to be the same this year; budget for 1984 is about $50 million, according to one analyst.

Honda

Honda just ended its "import of the year" campaign to focus on other models that hadn't been getting too much attention lately — the new Civics and Preludes. As the line expands, Honda has been going more heavily into television. Half of a $38 million budget went to network in 1983. The budget is expected to increase about 25% this year, and the trend toward network usage will continue.

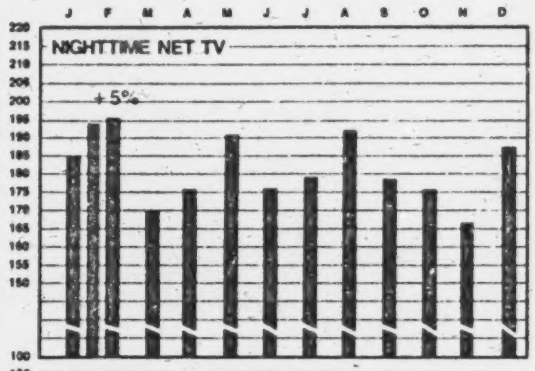
Advertising stresses the Honda brand, with segmentation done by body style. Honda, which had been decreasing its magazine investments in 1981 and 1982, spent $12 million in magazines in 1983, a trend that will continue now that the company has three car lines to promote and segment against.

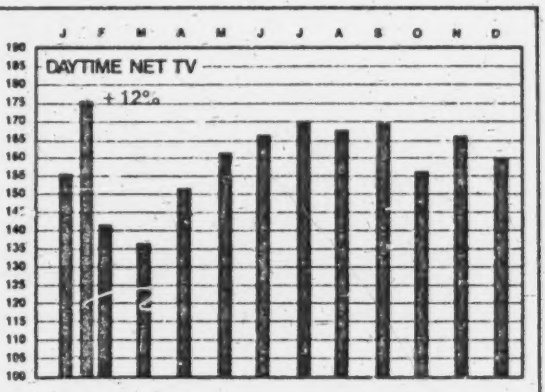
Magazines are divided into two different plans: older, male and married-oriented; and younger, single and more female-oriented cars. With a resurgence of sales on the larger end of its product line, Honda has added *Sports Afield*, *Science Digest* and more traditional vehicles like *Town & Country* to the mix.

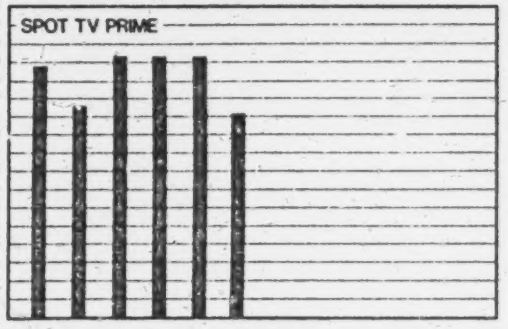
Television buys have been on sports and news programs, which Honda plans to continue. The company also expects to become more heavily involved in cable, where buys range from late night news on CNN to NHL Hockey. *Laura Konrad Jereski*

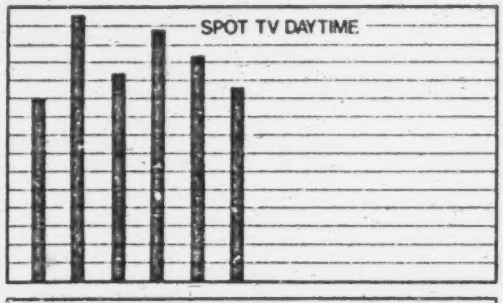
MEDIA COST INDEX

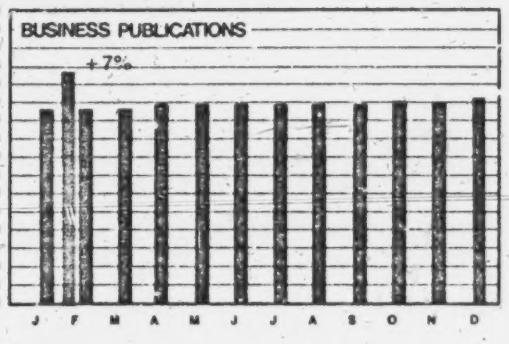
Black bars index for 1983; color bars 1984; base year 1977











Most media in this cost index started the year with increases over the year-ago month much in line with the numbers reported for December.

The exceptions: **Supplements** showed a 22% rise over January 1983, up from 17% in December; **daytime network tv** was up 12% but down from the 29% reported in the December-over-December index; **network radio** came in at −5% from January 1983, down from a not-so-high +5% in December.

The remaining media showed increases in the 5% to 10% range.

Consumer magazines were up 9% over January 1983, up two percentage points from the December report. **Daily newspapers** matched this reported 9% increase, which was the same as reported in December.

Outdoor and **business publications** in January matched the increases reported in December: up 10% and 7%, respectively.

Nighttime network tv showed a modest 5% increase, down one point from the reported December increase.

Usable cost-trend data are still not available for the two **spot tv** categories and **spot radio.** But, there is a ray of light at the end of this tunnel of data darkness.

The Media Cost Index reflects trends extracted from available sources. This analysis uses standard competitive report sources to develop comparable costs that reflect monthly cost trends by medium. Where industry competitive sources are unavailable, selected cost data from SRDS are sampled.

Sources. **Nighttime Network TV** — Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service. **Daytime Network TV** — Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service. **Network Radio** — Cost per average 30-second radio announcement from BAR's Network Radio Service. **Spot TV** — prime and daytime — Cost per 30-second spot, Monday-Sunday from BAR's Spot TV Service.

Consumer Magazine estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn. **National supplements** estimate based on published (rate cards) costs of a page, four-color for the national supplements. **Daily Newspapers** estimate based on Newspaper Advertising Bureau report of SRDS costs per agate line of a sample of 788 newspapers weighted to represent the universe. **Business Publications** estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications. **Outdoor Posters** based on estimate prepared by Institute of Outdoor Advertising. Spot Radio data to develop a continuing index are not available at the present.

How to read: Media Cost Index reflects latest available costs compared with base year 1977. Percent change shows rate of change from the same month in previous year.

MEDIA COST INDEX (continued)

Black bars index for 1983; color bars 1984; base year 1977